

## Message Text

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14-11  
ACTION EA-10

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FM AMEMBASSY WELLINGTON  
TO SECSTATE WASHDC 9855

LIMITED OFFICIAL USE WELLINGTON 1867

E.O. 11652: N/A  
TAGS: EINV, NZ  
SUBJ: U.S. CITIZEN SUES GNZ PRIME MINISTER FOR  
NZ \$1.6 MILLION

FOR EA/ANP MOSER

REF: LETTER TO AMBASSADOR SELDEN FROM L. MOSER

1. AMCIT STOCKTON RUSH JR. HAS INITIATED A LAW SUIT AGAINST THE PRIME MINISTER FOR LOSSES CONNECTED WITH A LUXURY TOURIST RESORT DEVELOPMENT IN THE SOUTH ISLAND. THE SUIT IS BASED ON THE CLAIM THAT PRIME MINISTER ROWLING, THEN MINISTER OF FINANCE, ACTED ILLEGALLY IN REFUSING TO ALLOW MR. STOCKTON'S COMPANY, TAKARO PROPERTIES LTD., TO RE-STRUCTURE ITS CAPITAL BY INCORPORATING FUNDS FROM THE MITSUBISHI RAYON CORP. OF JAPAN. PURPOSE OF THIS REFUSAL ALLEDGEDLY WAS TO FORCE SALE OF CROWN PROPERTY (GNZ GOV'T OWNED LAND) WHICH HAD BEEN SOLD TO TAKARO PROPERTY IN 1968. FAILURE TO DRAW ON THE JAPANESE FUNDS ALLEGEDLY RESULTED IN CLOSURE OF THE RESORT, DISSOLUTION OF THE COMPANY AND SUBSTANTIAL FINANCIAL LOSS TO MR. STOCKTON.

2. NEW ZEALAND COURTS HAVE PREVIOUSLY GIVEN OPINIONS FAVORABLE TO TAKARO PROPERTIES IN ITS CLAIM THAT THE GNZ ACTED ILLEGALLY TO "INDUCE A REVERSION OF  
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THE LAND OWNED BY THE RESPONDENT COMPANY EITHER TO

THE CROWN OR TO NEW ZEALAND INTERESTS". IN FILING HIS LATEST SUIT MR. RUSH HAS AGAIN RETAINED CAPABLE LEGAL COUNSEL AND INDICATIONS ARE THAT HE WILL CONTINUE TO GET A FAIR HEARING IN COURT.

3. IT SHOULD BE NOTED THAT DURING A CONVERSATION BETWEEN MR. RUSH AND MYSELF AT ABOUT THE TIME THE COMPANY WAS AUCTIONING OFF SALABLE ASSETS, HE ADVISED ME THAT HE HAD PURPOSELY AVOIDED BRINGING THE USG INTO THE PICTURE AND PREFERRED TO HANDLE THE COMPANY'S PROBLEMS PRIVATELY WITH BENEFIT OF LEGAL ASSISTANCE.

4. IT APPEARS THAT MR. RUSH'S EFFORT TO OBTAIN JAPANESE INVESTMENT FUNDS TO SHORE UP HIS COMPANY WAS AN UNFORTUNATE CHOICE. THE CONTROL OF LAND BY JAPANESE INVESTORS IS NOT FAVORABLY RECEIVED BY GNZ. IT WOULD BE UNFORTUNATE IF THE PROBLEMS PLAGUING MR. RUSH'S COMPANY ARE ALLOWED TO ESCALATE TO A POINT WHERE THE TAKARO CASE COULD AFFECT GENERAL ECONOMIC AND COMMERCIAL RELATIONS BETWEEN THE US AND NEW ZEALAND. THE CASE SHOULD BE TREATED AS A SEPARATE ISSUE AND ON ITS OWN MERITS. LETTER FOLLOWS GIVING MORE DETAILED INFORMATION.  
SELDEN

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NNN

## Message Attributes

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